

**Comments of the Western Power Trading Forum to the
California Air Resources Board on the Concept Note
For the Renewable Energy Standard**

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The Western Power Trading Forum¹ (WPTF) appreciates the opportunity to provide input to the California Air Resources Board (ARB) on its consideration of the design of the Renewable Electricity Standard (RES). WPTF supports many of the elements and the general approach laid out by ARB staff in the Concept Note. However, we are very concerned about potential incompatibilities between the existing Renewable Portfolio Standard (RPS) and the new RES, as well as the proposed greenhouse gas (GHG) metric for determining compliance with the RES. Our comments on these and a few other issues posed by ARB staff are provided below. We look forward to providing additional input to ARB on its development of the RES as the rule-making progresses.

Applicability and Threshold

ARB proposes that the RES would apply to all California electrical corporations, electric service providers, community choice aggregators, electrical cooperatives, and local publicly owned electric utilities. ARB staff is considering whether to apply a threshold, such as 500 GWh, to exclude small entities from compliance, and whether the California Department of Water Resources and the Western Area Power Authority should also be subject to the RES.

WPTF considers that the need for specific exemptions to the RES may rest on whether and what type of flexible compliance tools are made available to obligated entities. A full range of flexible compliance tools, including tools such as an alternative compliance payment, should be fully evaluated to determine if they are viable approaches to achieve RES compliance.

Interaction with the RPS

According to the staff paper, ARB intends that the RES would operate independently of the existing RPS requirements. The paper further notes that it is the objective of staff to develop an RES regulation which “builds upon and complements the existing RPS program.”

Compatibility between the RES and the existing RPS is an important design goal for the RES, because compliance rules and regulations that vary among the two programs will introduce complexity and potentially costly duplication. Previous analysis by the California Public Utilities Commission (CPUC) has demonstrated that achievement of a 33% renewable energy target will be challenging and expensive. It is therefore appropriate that ARB is considering more flexibility for how obligated entities comply with the RES than is currently allowed in the RPS (e.g. relaxed delivery requirement, expanded definitions of eligible resources, use of renewable energy credits), as this flexibility will increase the likelihood of meeting the RES.

It would not, however, be appropriate for ARB to consider RES rules that are more restrictive than the RPS, as this would make it more difficult for obligated entities to comply with the program, and create more uncertainty for the development of new renewable resources. For

¹ WPTF is a diverse organization comprising power marketers, generators, investment banks, public utilities and energy service providers, whose common interest is the development of competitive electricity markets in the West. WPTF has over 60 members participating in power markets within the WCI member states and provinces, as well as other markets across the United States.

this reason, we urge ARB to adopt a clear rule that commitments made to comply with RPS will also count toward compliance with the RES.

RES Eligible Resources

The concept note indicates that ARB is considering whether to expand the definition of eligible resources beyond what is allowed in the RPS and modifying the limitations on some of these resources. Large hydro-electric and nuclear facilities will continue to be excluded.

As we noted above, WPTF believes that more flexibility in program rules than the current RPS will be necessary to achieve the 33% renewable electricity standard. For this reason, WPTF supports evaluation of additional eligible technologies as part of the RES proceeding.

Geographic Eligibility, Delivery Requirements and use of Renewable Energy Credits

ARB proposes that all renewable facilities connected to the transmission system of the Western Electricity Coordinating Council (WECC) would be eligible for the RES, as under the RPS, and that RES compliance could be met through power purchase agreements, bundled renewable energy credits (RECs) or unbundled RECs. The concept paper indicates that staff is considering whether to modify the delivery requirements for out-of-state renewable resources.

WPTF endorses the unrestricted use of unbundled and tradable RECs from anywhere within the WECC for compliance with the RES. The use of unbundled RECs provides obligated entities with much needed flexibility in where they source their renewable power, increases the market of potential buyers for renewable generators and alleviates transmission constraints. If for some reason ARB does not adopt the unrestricted use of tradable RECs from within the WECC, it will be important to retain current delivery requirements to ensure that out-of-state resources can be used for RES compliance.

RES Compliance

ARB is considering an approach whereby, rather than measuring RES compliance on a MWH basis as done in the RPS, compliance would be determined based on a greenhouse gas emissions metric. As we understand this proposal, each MWH of renewable electricity procured would be converted to tons of greenhouse gas emission reductions, based on an assumption about the avoided emissions from fossil generation that the renewable generation displaced. This approach is opposed by both the CPUC and the California Energy Commission (CEC).

WPTF concurs with the CPUC and CEC in strongly opposing the proposed GHG metric approach for compliance for several reasons. First and foremost, the approach is inconsistent with other renewable markets and programs, including the California RPS. As we stated above, WPTF considers it critical that compliance with the RPS counts toward the RES. The use of difference compliance metrics in the two programs raises the real possibility that an entity could be in compliance with the RPS but not receive commensurate credit toward compliance with the RES. Second, the method is overly complex and methodologically unsound in that it requires assumptions about unknowable avoided emissions.

Finally, the GHG metric approach blurs the boundary between the RES and the cap and trade program. The AB32 Scoping Plan has already determined that retirement of a REC can not be used as an offset under the cap and trade program. However, there is an ongoing discussion of whether a REC purchased from an out-of-state entity can be used to attribute emissions to First Jurisdictional Deliverers under the cap and trade program when calculating carbon liability for imported power. Depending on how this issue is resolved, the GHG metric approach could result in an entity being credited one level of emission reduction under the RES, and another under the cap and trade program.

WPTF understands ARB's interest in using a GHG compliance metric to highlight the strong nexus between the RES and the state's greenhouse gas reduction goals. However, that nexus already exists – both ARB's analyses for the Scoping Plan, and that conducted by the CPUC under the GHG proceeding demonstrate the important role of the RES in achieving emission reductions under AB32. We therefore see no need to create an artificial and complicated link through a GHG compliance metric for the RES.

Compliance Schedule

WPTF does not currently have a position on whether RES targets should be established annually, or over multi-year periods. We look forward to further discussion and of evaluation of all options.

Monitoring, Verification and Compliance

The concept note indicates that ARB intends to use as much of the existing RPS infrastructure and procedures as possible in implementing the RES. Discussions regarding the roles of the CPUC and the CEC in implementing the RES are ongoing, but ARB expects that compliance with the RES would be determined via CPUC reports to ARB on the performance of obligated entities, and that the CEC would retain responsibility for certifying eligible resources.

WPTF supports the involvement of the CPUC and CEC in designing and implementing the RES. To the extent possible, ARB should avoid creation of redundancy in roles in the implementation of the RES, and minimize the administrative burden on obligated entities and renewable generators.